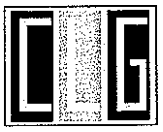

The CommLaw Group

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April 27,2007

VIA **ECFS**

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, DC 20554

Re: In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128

Dear Ms. Dortch:

Attached is a copy of the 2007 Call Tracking System Audit Report for TeleCents Communications, Inc. ("TeleCents"), as required by Section 64.1320 of the Commission's Rules, 47 C.F.R. §64.1320.

Pursuant to Section 64.1320(e) of the Commission's Rules, 47 C.F.R. §64.1320(e), also attached is a copy of TeleCents' statement regarding contact information for the person responsible for handling TeleCents' payphone compensation and for resolving disputes with payphone service providers regarding compensation.

Copies of TeleCents' System Audit Report and Section 64.1320(e) Statement, as well as other information regarding payphone compensation and TeleCents' compliance with Commission Rules, are posted on the company's Internet website, **http://www.telecents.com/psp_info.asp**.

Should you have questions regarding any of the above, please contact the undersigned.

Respectfully submitted,

Jonathan S. Marashlian

cc: Jeff Lauzon

MASS-TEL COMMUNICATIONS

Telecommunications Audit Department
Carrier Compliance

Missy Sue Mastel, CPA

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FINAL

Auditors Report: FCC Order 96-128

We have examined the accompanying description of the controls at TeleCents Communications, Inc. ("TeleCents") applicable to recordkeeping, reporting, and payment provided to payphone service providers serviced through the switch. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of TeleCents's controls as it related to PSP compensation, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and (3) such controls have been in place as of June 30, 2006. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned controls of TeleCents, presents fairly, in all material respects, the relevant aspects of TeleCents' controls that have been placed in operation as of June 30,2006. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that dial around compensation objectives, as documented in FCC Order 96-128, would be achieved if the described controls were complied with satisfactorily and third parties applied those aspects of internal control contemplated in the design of TeleCents' controls.

In our opinion, the controls that we tested are operating with sufficient effectiveness to provide material and reasonable assurance that the control objectives were achieved during the period between April 1,2006 and June 30,2006 with the following exception.

As TeleCents has not made payments for DAC compensation since 2Q2004, we note that we are unable to validate much of the payment process. Prior to July 1, 2004, DAC was coinpensable through third parties or IXCs, by law. However, we have audited the records of TeleCents and note that they are adequate to provide accurate records of DAC compensable calls, and we note that there is sufficient segregation of duties to ensure

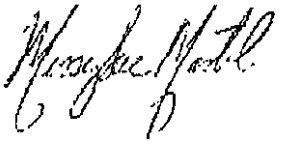
proper review and accurate payment disbursement, once settlement arrangements are complete. To that end, we are issuing a qualified opinion based on our limited ability to review a payment process for DAC, although appropriate procedures are being devised.

The relative effectiveness and significance of specific controls at TeleCents and their effect on assessments of control **risk** for PSPs are dependent on their interaction with internal control, and other factors present at PSPs and PSP aggregators, as well as the internal controls of third parties involved in TeleCents' processing of PSP dial -around compensation. We have performed no procedures to evaluate the effectiveness of internal control at any third party associated with this process.

The description of controls at TeleCents is as of June 30, 2006 and information about tests of the operating effectiveness covers the period from April 1,2006 to June 30,2006. Any projection of such information into the future is subject to the risk that, because of change, the description may no longer portray the system in existence. The potential effectiveness of specific controls at TeleCents is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in the processing requirements, or **(3)** changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for use by management of TeleCents Communications, Inc., along with PSPs and other vendors of interest, the FCC in verification of fulfillment of Order 96-128, and the independent auditors associated with such organizations.

Sincerely,



Missy Sue Mastel, CPA
Lic. Number 67248-CA
Mass-Tel Communications, Inc
April 17,2007

Section 1: Overview of Operations and Internal Control Features

Overview of Operations

DAC is the system whereby owners of payphones are compensated when a user places a calling card or other dial-around service to place a long distance call. Every time a person uses a payphone to place a long-distance call and dials a long-distance company other than the one assigned to the payphone, the dialed company must pay the payphone owner a fee. Payphone service providers and aggregators bill the SBR or LEC by providing a list of ANIs, and the LEC and SBR match ANIs to Call Detail Records (CDRs) from the switch, and pay on all calls that require compensation. Since payment is only due on completed calls when dial around services are used, the carrier's CDR utility program in the switch captures all relevant data pertaining to whether the call requires DAC or not.

While TeleCents has been operational since 1996, procedures for compensating the PSPs were the responsibility of the underlying inter-exchange (IXC) carriers through June 30, 2004, during which time the underlying IXCs billed TeleCents and TeleCents made payments for dial around compensation to the underlying IXCs. There have been no significant payments for quarters beginning in 3Q2004. As of September, 2006, one aggregator has filed a formal complaint with the FCC. TeleCents undertakes this audit to ensure that the processes and payments calculated represent fairly the compensation due to PSP as it begins to perform DAC activities directly with Payphone Service Providers.

In the quarter under review, four separate PSP consolidators had invoiced TeleCents and were reconciled using in-house processes. No payments have been made. We will perform procedures on these processes as it pertains to the accuracy, timeliness and completeness of the records for DAC.

General Operations

TeleCents sells prepaid calling cards under a variety of product and affinity programs, dictated by their market. All calls are directed through Global Crossing or AT&T as the underlying carrier. Each type of product has its own 800 number provided by the underlying carrier, which connects to the TeleCents switches. These 800 numbers are printed on cards and sold to end-users. TeleCents also sells local access cards, but as these are not coinless, these are not required for inclusion in DAC. At the time an end user places a call, the 800 number connects the call on the underlying carrier network, directs that call to the TeleCents switch farm, where the call is received, authenticated, and then sent for termination over a routing mechanism to other carriers to complete the call. The TeleCents switches authenticate both the user, via PIN, and the termination number, via answer supervision, before registering the call as connected.

TeleCents uses 7 switches stored in AT&T's secure facility in Southfield, Michigan. As call records (CDRs) are processed, the information relating to origination, requested termination, header time, and talk time are written to one of 3 SQL databases, also located in the same AT&T facility. All databases are backed up 2-4 times per day. The switches connect to the SQL database servers via aprivate network.

Scott Pitcher, Technical Operations Director, initiates the CDR transfer to SQL on a daily basis. The import process is not monitored, but data is verified within tolerance parameters of *2.5%* against raw data and third party invoices.

As a switch-based reseller, TeleCents has had limited direct relationships with PSP or PSP aggregators prior to 2004. Historically, payphone service providers have relationships with the LEC, and process claims for both coin and coinless commissions with the LEC or IXC servicing the phone. The LEC, in turn, invoices the SBR, or facilities based-reseller, for DAC by tracking the delivery of the call to the switch. Beginning in 2001, the underlying carrier began invoicing for DAC for all calls delivered to the switch. TeleCents would then reconcile the amount against completed and compensable calls in their switch, and pays the LEC or IXC who in turn reimburses the PSP. Historically, we note that the payphone compensation paid to AT&T and other underlying carriers has not been reconciled, and suggest that the PSPs may have been overcompensated during the period of IXC billing.

The DAC compensation process since 2004 has been for APCC and other PSP aggregators, to send invoices of all ANIs in operation directly to TeleCents, who then reconciles this list against calls made to determine eamed compensation. ANI ownership disputes between PSPs require LEC validation, although in-house procedures for ANI dispute resolution have been developed.

General Reconciliation Process

TeleCents' reconciliation processes include managing the PSP vendors, receiving invoices relating to the BTNs under management by the various payphone providers and their associations, and submitting payments and claim reports to PSP and PSP aggregators. The PSP submits their ANIs to TeleCents. Since TeleCents is an SBR, and not the LEC, they do not maintain ANI ownership records or databases, and rely on the invoices for accurate ANI ownership information.

PSPs and LECs invoice their payphone surcharges quarterly, via CD ROM or floppy disk. A few vendors send paper invoices.

For PSPs, APCC and other PSP representatives, a list of phone numbers, or ANIs, is sent representing the phone numbers that are owned and operated by the PSPs and are thus eligible for DAC. The carrier or PSP representative lists all possible numbers, and leaves it to the reconciliation process to locate those phone numbers on CDRs and verify compensable calls.

For switch reconciliation

The Talking NT (fka Telepro) system captures and records all completed traffic, and generates back-ups of call records every 6 to 8 hours at the AT&T Southfield MI collocation facilities. Live and backup CDRs are stored in the TeleCents5 server and backed up nightly to one of the 3 SQL servers. The CDR databases reside on the SQL servers. Prepaid calling card data is stored in the FAT database. Database back-ups are rotated on a daily basis.

Each day CDRs are sent via private network to one of three storage servers at the Southfield MI collocation. The switch farm uses an Ethernet 101100 mbps backbone to communicate between the switches and the database servers.

Scott Pitcher, Technical Operations Director, initiates the CDR transfer to SQL on a daily basis. Minutes in the Talking NT and SQL databases are compared to each other and to third-party billing to ensure that data is not lost, with a ***2.5%*** tolerance rate These tests are currently performed randomly, and we recommended a more rigorous schedule for testing data integrity. Appears reasonable.
Info digits used by Telecents include '07' '27', '70', or **'29'** in the info ID field. '29' is an uncommon digit identifier since it indicates a prison payphone. '00' is a default for the system, and thus does not indicate a payphone call. Customer service calls using the 800 service numbers are processed the same way as other DAC-eligible calls, and thus the infodigit from the phone is captured accordingly. We note that '07' has been disabled as a payphone identifier, as it is now used for residential services and has been removed from the payphone parameters beginning in 2006. Appears reasonable.

While the database generates a payphone flag from the info digit field, it is not used to filter the calls that are then compared to the ANI look-up table for DAC. Thus, TeleCents uses a complete database of call detail records for comparison with the invoices from the PSP. Appears reasonable.

TeleCents performs reconciliation on a quarterly basis, whereby they compare ANIs reported by the PSPs to the database of calls provided by SQL database downloaded into Access, and validate the claims for payment by the PSPs.. TeleCents cross-references its payment report using the ANI and PSP ID information provided by the PSP—the SBR does not independently validate ANI ownership with the LEC. If two PSPs claim the same ANI, TeleCents will attempt to validate the correct owner using a Master ANI List kept by TeleCents; if no information is available, disputes are settled by requesting pertinent documentation from all interested parties, including affidavits from the LEC.

Claim reports are summarized by aggregator or carrier and are reviewed by the financial directors of the SBR. Once financial management validates the report and the total, the agreed-upon amount is paid via wire transfer or check. Penalties for late payment are transferred at the same time. TeleCents makes payment to the PSPs and aggregators accordingly.

We note that disputes and FCC complaints have hindered the timely payment, and that it is possible that the overpayments made by the IXCs will deeply erode any overdue amounts due to the PSPs. Follow-up procedures will be conducted to bring these accounts current and accurate.

Reconciliation is an automatic process, and summary reports are generated detailing the ANI and all associated compensable calls. The CDR report is totaled for the number of records per PSP, and that number is used as the reconciled number for comparison and dispute against the carrier bill for incomplete calls.

While there are discrepancies between the call count that was sent from the underlying carrier and the final paid amount, most of the discrepancies between the carrier invoice and the CDRs stems from complete vs. incomplete calls. The invoices received from the carriers are unable to capture call completion information, and thus the reconciliation and support, if necessary, that are sent to the carriers result in significant credits from the underlying carrier to TeleCents in subsequent months. We reviewed past reconciliation prior July 1, 2004, when TeleCents paid Sprint directly for DAC, to determine that the percentage of complete vs. incomplete calls did not decrease with the procedural change to SBR payment responsibility, and also tested to ensure that the CDRs coming from the switches to the Main database were complete. Per discussion with Scott Pitcher and corroborative test work, we noted that data transferred between the Talking NT servers and the SQL server are reconciled to within a **2.5%** tolerance rate. Appears materially reasonable.

We noted that TeleCents does not perform any review of ANI frequency to ensure against calling fraud. We reviewed the last two reconciliations and reports and did not see ANIs with excessive usage on reconciliation. As failure to detect this fraud would result in overpayment to the PSP, we have suggested that they perform this review each month. Appears reasonable

Processing Detail

As end-users dial calls using the 800 numbers on the prepaid calling cards from TeleCents, the switches receive the calls from the originating carriers based on capacity and 800 number provider programming. When the 800 provider sends the call to the TeleCents switch, it sends the info digit and the 10 digit ANI+DNIS. The switch control host controls the switch and authenticates the call and the user PIN, checks the rate table and card for acceptable balances and accepts the terminating number. Once the termination number is entered and validated, it is sent out over a routing program. When a call hits the TeleCents switch, the control host records the header information, including origination, routing, time stamp, program, and product rate and termination information. If answer supervision is attained, a call record is generated, talk time begins to record, and the card is debited for the charges, including payphone. The call record completes when the call is terminated, and is updated to the main database in real time. Calls are attempted for 60 seconds before the call is considered incomplete and released. Data is backed up to one of three SQL servers or databases via a private network within the AT&T collocation facility in Southfield, MI. The communications facility uses Ethernet 10/100 mbps to communicate with the switches, which in turn communicate with the database to store the data.

Each day, Scott Pitcher initiates a CDR transfer into the SQL database sorted by carrier and date. These records are delimited text files run in the database (reporting interface) from the switch. When ownership of an ANI is in dispute, TeleCents will use the ANI Master List created from the historical PSP provided information, and if that is inconclusive, will send the item as disputed to the parties involved. If a dispute ensues, TeleCents will require authentication directly from the parties involved and as described on their website. Appears reasonable.

Data Integrity

Per Scott Pitcher, Technical Operations Director, all CDRs have been kept since inception. Information related *to* CDRs is kept live on the database servers at a minimum of 90 days, converted to SQL and backed up daily onto one of 3 servers and onto **RAID** 5/10 hard drive (redundant array of independent drives), and kept in the secure AT&T collocation facility. Archived call records required by FCC rules are stored in the SQL servers located in Southfield, MI . Regular testing of the back-up data integrity, including uploading the offline database to an archive server and restoring the data to a server, is not performed regularly, although procedures now include pulling data files from 6 months prior to the current month to ensure that the data remains intact. Appears reasonable.

Reconciliation Process Detail of DAC for PSPs

The Payphone Service Providers submit their **ANI** information either directly to TeleCents or through aggregators and IXCs. PSPs are able to make claims against the current and prior 6 quarters.

TeleCents recreates ANI look-up tables each quarter with the new invoices sent in each quarter by the carriers/PSPs for changes to the information and disconnects that are processed each quarter. We have recommended establishing a Master ANI list and using the Invoice information received quarterly from the PSPs to update the list as needed. The SQL program should be able to sort out disconnects and updates to the ANI data before it is run against the CDRs. Appears reasonable.

The SQL data for the quarter is uploaded from the storage server and then converted to Access. TeleCents executes a Visual Basic script which looks up the payphone ANIs submitted by the PSP against the Access database sorted by infodigits and answer supervision criteria to extract compensable CDRs to a payphone compensation file. This file is then run against ownership information and the payphone detail reports are created. The reports created are stored and archived to CD. Calls are sorted into categories by PSP, with compensation reports sorted by PSPs, or PSP aggregators. Unmatched claims, or calls with payphone flags that are unmatched, are kept in suspense account and run

against prior quarter(s) submitted by PSPs at the time of invoicing in case the PSP will make a later claim on them. Appears reasonable.

Discrepancies in ANI reporting, as when a number is claimed by more than one party are currently resolved by sending the disputed ANIs to the PSPs involved. We recommend instituting procedures whereby attempts at resolution include comparing the data from prior quarters, collected in the ANI Master List, in order to try and identify the owner. If there is no way to substantiate one claimant over another, then the ANI should be sent out and the claimants should be referred to the website for dispute procedures. The PSP is then able to support their claim with TeleCents by providing required documentation.

ANI status report files are created for each PSP summarizing the ANI, the amount paid, and the underlying carrier from which the call was transferred to TeleCents' switch, satisfying the reporting requirement to the PSP. We recommend updating current reporting to match with PSP approved formats. TeleCents relies on the PSP aggregator filing claims to distribute payments to their constituency. If PSPs make claims directly to TeleCents, then TeleCents will compensate directly.

At any time during the quarter, the PSP aggregator or LEC may submit new information relating to the ownership of certain ANIs. This new information is then incorporated into the quarter being processed and run against the prior *6* quarters, as noted above.

Call Records

TeleCents ensures the completeness and accuracy of the call records through their CDR gathering process.

TeleCents sells prepaid calling cards to end users and retailers that represent more than 80 different products across three underlying carriers. Each card is printed with the 800 number that the underlying carrier gives that program/product, and terminates those 800 calls to the TeleCents switch for processing. The Switch then authenticates the card using the unique PIN identifier, also printed on the card, and then attempts to place the call to the terminating number using a routing mechanism. Thus, every call is really two calls, one inbound to the switch and one outbound from the switch at TeleCents.

Each 800 DNIS that hits the switch is preprogrammed to a single customer's account for a specific product. If an 800 number is dialed, sent over the carrier and the TeleCents switch does not recognize it, it is not processed by the switch. **All** 8XX calls that originate on the carrier's network are routed via a least cost routing mechanism for termination of the dialed number.

The Talking NT system controls the actions of the switch and begins documenting the CDR at the time that answer supervision is received, with info-digit and ANI+DNIS information. When calls are terminated, the CDR is recorded as complete and sent real-time to the SQL database. For each CDR, the system generates fields to identify the

origination and completion information on the call. These are set up through logic that is programmed into the Talking NT application.

- DESCRIPTION- Identifies the service originating the call. '07' '27', '70', '29' are the proper identifiers for payphone services. '07' is no longer in use by NANPA to program payphones, although it is still in use on a small number of COCOT lines and '00' infodigits are defaults in the Talking NT system,
- TIME USED- The Talking NT system records multiple records for each call, delineating for the headers of the call v. the time spent on the call. Only one of the two CDRs is necessary to identify the call, otherwise duplicate call counts would ensue. Appears reasonable.
- ACTUAL- Indication that the call has actually been picked up by the receiving party. In many instances, the underlying carrier will invoice for delivered calls, which are calls that pass through their switch, but will not be able to determine whether the call has been completed. This is the main discrepancy that occurs in the LEC billing, and support for TeleCents' claim is based on this field. TeleCents' switches already maintain a completion flag field, which will be included in the Main database call summary reports. Telecents does a significant amount of terminations in foreign countries, where prioritization and false answer supervision results in customer service calls and call disputes. For that reason, Telecents uses ACTUAL to determine completed call of greater than 54 seconds. Appears reasonable.

We note there are no dial-around fields since the caller has already selected TeleCents as the prepaid carrier, and TeleCents uses LCR criteria to route the end-user call. Appears reasonable. The switch will attempt completion for a full minute before determining an incomplete call, which is recorded in the duration field.

The call records sent over are then run against the ANI invoice look-up tables for the quarter, and the calls are allocated to PSP and LEC, as required. Quarterly reports are generated 65 days after the quarter close to indicate what is being paid out to the LECs, IXCs and the aggregators on behalf of the PSPs.

When PSP payments are approved via the report, the payment schedule files are used to create a spreadsheet that is sent to the Accounting Department to process payment. The files are also used to create payment summary reports that are sent to the PSPs with their check.

As payments are sent, the CDRs are marked as paid in the system, archived and closed out of the open item reports, thus recording which calls have been paid upon and which remain outstanding due to no claims or disputes. Disputed calls are generally paid to the vendor of record, where prior claims can be used to determine status. All *NO CLAIM* calls, where the CDR reflects an ANI that is not appearing on any invoice will be accrued into an open item report for possible prior quarter billing through to the FCC required statute of limitations. Appears reasonable.

When a quarter becomes ineligible for payment request due to expiration of the statute, unpaid Call Records are marked as Expired on the open item report, and all unclaimed call records are expired by the program. Appears reasonable. For quarters ending prior to July 1, 2004, TeleCents was generally overbilled by the carriers, as they cannot discern complete v. incomplete call records. As such, expiration of unclaimed calls was not an issue.

Quarterly information is stored forever. Stored databases at TeleCents will be analyzed periodically to ensure that the data remains intact.

Disputes

If a PSP or aggregator has a dispute about the payment made, the PSP can request that its original file (or a newly submitted file) be checked in greater detail. As stated above, most disputes are related to either ANI ownership or incomplete calls. TeleCents has a process by which they will request the disputing PSP provide ownership documentation and submit signed documentation from both the overpaid and the underpaid parties that agree upon the ownership of the payphone. If this information is not available, TeleCents will request that the PSP involve the LEC to try to obtain additional information and resolution. Appears reasonable.

TeleCents historically has disputes that result from billing of incomplete calls, and resolves them in the following way: Send the LEC the complete payphone reports with complete call detail records to indicate the calls being compensated. We note that incomplete calls might also be helpful for validation of liability, and suggested that they run this report as well, although the reconciliation process meets standard requirements. Appears reasonable.

Internal Controls

Control Environment and Organizational Chart

Talking NT (fka Telepro), a rather old telecom application and rating engine has its own technicians responsible for programming the switches and its database. TeleCents does not have the ability to modify Talking NT application or its database. Scott Pitcher, Technical Operations Director, is responsible for uploading the Talking NT to the SQL databases, converting the SQL into Access for DAC processing, and ensuring that the network remains up and running. Only 2 people have access to the switches and its database, including Scott Pitcher, Technical Operations Director, and Jeremy Mack, Programmer. Talking NT is configured to ensure that the switch writes info digits and other relevant data to the SQL database. **All** access is limited to specific tasks, user-profiled, and secure. Personnel with programming access for the database are not the same as personnel with network control. A payphone field on the system indicates

whether payphone fees are collected from the end user, but does not indicate whether those fees are charged.

Jeff Lauzon, CEO receives the invoices from the PSPs or PSP representatives, and forwards the invoices to Scott Pitcher for processing. The invoice disks are run by Scott testing for duplicate ANIs, and then are processed against the downloaded CDRs. The invoice payment report is sent to John Allen for review, who reviews the reports before sending them out to ensure that they appear materially accurate and that there are no large or unusual aspects to the report before they are sent over. If there are discrepancies, Scott is asked to rerun the report, and then the report is reviewed manually. John Allen processes the checks and wire transfer requests in Accounting, and then sends them to Jeff for signature and mailing.

The payment detail report will be received within ***65*** days after the quarter end, and will be reviewed by Jeff Lauzon and trended against prior quarters for reasonableness and reconciled against summary monthly reports on payphone records collected. Additionally, a completeness percentage report will be run to ensure that the percentage of call complete trends accurately from one quarter to the next. Payments should be made to the PSPs by the end of the month. As approval and preparation of reporting information are kept separate, there appears to be little room for internal employee fraud outside of collusion. Invoices from the PSP are due by 30 days after the quarter end, so that the PSP can be paid by the last day of the next quarter. Appears reasonable.

We note that as supported payments have not been made to the PSPs since July 1,2004, we offer no opinion as to the accuracy or timeliness or compliance with payment procedures. We do note that the procedures as designed, including segregation of duties and processing timelines, would meet audit standards and internal control standard in practice.

We note that the TeleCents reconciliation process and the overall integrity of the DAC system rely on several internal controls to ensure the integrity of the system. These controls are communicated and complied with by TeleCents Communications in the following:

General Contract and Regulatory Requirements

TeleCents has warranted via letter signed by senior staff that the company and their representatives are responsible for maintaining compliance with laws, regulations, tariffs, and other general requirements in the course of doing business. TeleCents Telecommunications has provided documentation that they recognize these requirements and understand their responsibilities to comply with them. The integrity of the compensation system requires that TeleCents remain in compliance with all their attestations under the agreement. We also obtained and reviewed an executed copy of this letter, which indicates that the parties understand their obligations. Appears reasonable.

Access Controls

TeleCents has maintained sufficient controls over who has access to switch and the reporting systems and under which circumstances changes and updates can be performed. The controls in place include:

- Limited access to switch and reconciliation processes
- Segregation of duties among report generation, reconciliation, and payment approval

Appears reasonable.

File Completeness and Timeliness

TeleCents provides complete files, including completed call records for payphone originated calls, and are responsible for the completeness, accuracy, and timeliness of the call record files. The controls in place to provide such files are:

- Payphone logic that is standardized and verified
- Easily tracked sorting and filtering parameters
- Verification field in the reports
- Monthly reports generated by Technical Operations.

Payment Authorization

TeleCents reviews reports for reasonableness and will make payments to PSPs and aggregators from the summary payment documents submitted. Proper approval of payment is controlled by Jeff Lauzon, CEO.

Completeness of Records Processed

The switches collect data that is transferred into the database real time, and tags all information to ensure that the transfer is complete. Completion rates are tracked to ensure that the trend of call completion is consistent. Appears reasonable.

Dispute Resolution

The FCC requires that a standardized process be in place to settle disputes that is data reliant. In the case of disputes arising, TeleCents requires consensual documentation from all interested parties that the resolution is fair and accepted. PSPs and their aggregators are required to provide whatever detail support may be necessary to validate any particular claim against a CDR or its **DAC** status. Appears reasonable.

Payment Rate

All TeleCents customers use the default rate with their PSPs, and there are no exceptions. Because the reconciliation is done quarterly and each CDR is time and date stamped, the rate calculations are performed on the individual CDR. Internal controls testing relating

to rate verification include validating on TeleCents's summary report that all calls are included at the .494 per eligible call rate.

Fraudulent Call ID

TeleCents relies on the authentication of the call via the PIN. Since the card must be purchased in order to be used, the hidden PIN authenticates the user as a purchaser of the prepaid phone service, and has its own limitations in the amount of service available on that card. Thus, threshold per ANI are not considered necessary, and all completed calls made from a payphone are considered compensable. Appears reasonable.

Contingency Procedures

The switch information and CDRs are backed up internally on the database servers if the connection between the database and switch is broken. If there is a communications failure between these two systems, no further data will be logged and no future calls will be processed until communications are restored. Appears reasonable. Reconciliation processes do not require special services or systems to perform, since the reconciliation is performed between raw data CDRs and billed ANIs in a lookup table. Third party LEC verification of PSPs is still required in order to validate proper ownership of the ANI.

Section 2: Significant Control Objectives

The principal objectives of the system of internal controls pertaining to recordkeeping, reporting, and payment verification are as follows:

- Policies and procedures are in place to ensure payment rates conform to FCC rules, either by default or as agreed to between parties.
- Policies and procedures are in place relating to reporting elements as required by FCC Order.
- Data is stored for a period at least as long as required by FCC rules
- Procedures are in place to establish, corroborate and validate proper PSP ownership
- System reporting for all eligible calls is both accurate and complete
- Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to TeleCents system requirements.
- Specific personnel has been identified for verifying compensation to PSPs
- Specific personnel has been identified for handling dispute resolution with PSPs
- Quarterly reports verified for payphone call counts, PSP identities, numbers called, and infodigits.
- Procedures are in place to identify and investigate potentially fraudulent calls and resolution.
- Policies and procedures are in place to properly compensate all compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC.
- Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect integrity of the records processed or the results of processing such records.

Description of Controls and Tests Performed

Our test of the effectiveness of the policies, procedures, and controls included tests we considered necessary to evaluate whether those controls, and the extent of the compliance with them, is sufficient to provide reasonable, but not absolute, assurance that the specified control objectives were achieved during the period between April 1, 2006 and June 30, 2006. Our tests of the operational effectiveness of controls were designed to cover the period from April 1, 2006 through June 30,2006.

Test procedures performed in connection with determining the operational effectiveness of controls are described as follows:

1. Corroborative inquiry – Made inquires of appropriate personnel and corroborated responses with other personnel to ascertain the compliance of controls.

2. Observation – Observed application of specific controls.

3. Inspection of evidentiary material– Inspected documents and reports indicating the performance of the systems and controls.

4. Transaction testing – Used reports to recreate and document controls.

Key Control Objectives

Key Control Objective #1

Payment rates can either be based on a rate negotiated between the user and the PSP or the FCC default rate.

Tests Performed

1) TeleCents calculates their DAC obligations based on the rates included in FCC Order **96-128.** Per discussion with Jeff Lauzon, CEO, there are no agreements for alternative rates with PSPs. All rates at this point are the FCC default rate, which is currently .49 cents per compensable call.

   We reviewed the DAC summary reports, noting that the calls paid for the quarter for PSPs of carriers processed by TeleCents were at the default rate(s) of .494, based on the date. Appears reasonable.

Key Control Objective #2

Policies and procedures are in place relating to reporting elements as required in by FCC Order.

Policy or Procedure

Per discussion with Jeff Lauzon, reports are prepared on a quarterly basis for use by LECs, SBRs, and PSPs detailing the calls that originate by ANI, the amount paid per ANI, and carrier IDs. Additional reports may be constructed for any party including ANI Master Lists, potentially fraudulent calls, dispute items, and other, as deemed necessary by any party in accordance with FCC rules.

Tests Performed

1) We reviewed the reports that were provided by TeleCents, noting that they were reconciled against switch reports and ANIs invoiced.

2) For the category "unclaimed ANIs", we noted that all unclaimed ANIs are accrued into an open item report for investigation purposes.

Key Objective #3

***Data is stored for a period at least as** long **as required** by **FCC** rules.*

Policy or Procedure

Through interviews with key personnel, we noted that all records are kept live in the main database on the SQL server for a full year. All CDRs are backed-up 2-4 times daily to SQL servers, and also backed up daily on hard drive RAID. Regular testing of the back-up data, including uploading ***6*** month-old data to an archive server and restoring the data to a server which is running the database program, will be performed regularly.

Key Objective #4

Procedures are in place to establish proper PSP ownership

Policy or Procedure

TeleCents has only recently begun dealing with the PSP directly, and currently only validates PSP ownership using the quarterly invoices to establish ANI claims. However, an ANI Master List will be created from the information provided by the PSP, and used quarter over quarter to try to determine proper ownership for DAC. In cases where it is impossible to determine the proper owner, the PSPs are notified of the dispute and given procedures to dispute the payment, using LEC validation, ownership records, and other supporting documentation.

Test Performed

1) We interviewed relevant personnel to determine the validation procedures in place

2) We reviewed the notification and dispute procedures in place for alternative claimants, noting that they are informed of all relevant information relating to the duplicate nature of their claim.
3) We supported development of an ANI Master List and its use in validating the claims of individual ANI owners.

Key Objective #5

System reporting for all eligible calls is both accurate and complete.

Policy or Procedure

Since TeleCents is a pure coin-less facilities-based reseller for prepaid calls, all completed calls with matching ANIs and reliable info-digits running through the switch should be considered compensable. The TeleCents system produces a matched report, which should be sorted for consistency with the APCC reporting requirements, and used to substantiate the payment. The CDRs are also reviewed to ensure that the completion rate for all calls and the completion rate for DAC calls from prior quarters are consistent with the current DAC completion rate. Payphone reports are validated and or created before wire funds are transferred in payment.

Tests Performed

1) We interviewed personnel responsible for various aspects of the reconciliation process, including key personnel at TeleCents to gain an understanding of the process and the internal control environment. Appears reasonable.

2) We reviewed the payphone logic and determined that the field parameters are sound.

3) We statistically sampled calls from the Switch CDRs to the Access CDRs for those dates. For our sample, we noted that the entire sample of proper info-digit and completed calls appeared materially correct on the database report, and that the calls sampled from the database report appear properly on the compensable file report.

Key Objective #6

Specific personnel have been identifed as responsible for drafting and maintaining necessary business requirements relating to TeleCents' system requirements.

Specific personnel has been identifed for verifying compensation to PSPs

Specific personnel has been identified for handling dispute resolution with PSPs

Policy or Procedure

TeleCents has substantially segregated and assigned responsibility for drafting and maintaining necessary business requirements, like switch program logic, report preparation and formatting, validation of payment to PSPs and validation of reporting to various parties within the TeleCents organization.

Tests Performed

We interviewed various personnel to understand their roles in the DAC process, noting:

1) That Talking NT is responsible for all the validity of the initial CDRs

2) That Scott Pitcher, Technical Operations, runs the quarterly report in the database for comparison to the ANI invoices of the PSPs

3) That Scott Pitcher, Technical Operations, reviews the call records that were sent for payment validation to be consistent with the payphone info-digit CDRs that are presented through the switch originally

4) That Jeff Lauzon authorizes the wire transfers and checks for PSP payment after review of the report sent by Scott Pitcher.

5) That Jeff Lauzon is responsible for dispute resolution with carrier-customers and their PSPs, generating CDRs and reports that are used in dispute resolution, most often to validate the claims of incomplete calls that indicate a non-compensable call.

Appears reasonable.

Key Objective #7

Quarterly reports are verified for payphone call counts, PSP identities, numbers called, and infodigits.

Policy or Procedure

TeleCents uses switch CDRs to compare to ANI invoices from PSPs and generate payments for compensable calls. TeleCents keeps monthly files of CDRs with payphone flags, ANIs, numbers called and infodigits so that originated calls with eligible DAC can be determined, and validated ANIs, non-validated ANIs, potentially fraudulent calls and calls with ownership issues can be identified.

Tests Performed

With the exception of ANI ownership testing, quarterly reports are reviewed for pertinent information and exceptions and unusual items are pulled for further investigation. We

reviewed two quarters of reconciliation to determine the basis for disputes, which were carrier invoices denied for incomplete calls. Appears reasonable.

We tested the quarterly reports against the statistical sampling of data for the quarter, noting that the information from the CDRs was captured materially and accurately as compensable or non-compensable calls. No exceptions.

Key Control Objective #8

Procedures are in place to identify and investigate potentially fraudulent calls and are resolved.

Policy or Procedure

All calls passed to the TeleCents switches required a PIN authentication and are limited in their abuse, given the nature of the prepaid phone card. TeleCents does not undertake any significant fraud testing, given the nature of the prepaid calling card debit process.

Tests Performed

We inquired of personnel whether any fraudulent usage had yet been identified, and there has been no abuse or customer service complaints relating to non-authorized calls. Given the pre-use authentication required, appears reasonable.

Key Control Objective #9

Polices and procedures are in place to properly compensate all compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC .

Policy or Procedure

See the narrative on DAC reconciliation and payment process above for greater detail. In summary, CDRs from the switch are sorted for info-digits (not payphone flags) and matching ANIs, and these records are summarized in the appropriate format for the PSP or aggregator. A summary report filtered by payphone flag field is not created, and the raw CDR data is used for determining compensable calls. LEC information related to ANI ownership is gathered, where provided. The results are tested for consistency with historic completion rates. TeleCents will review the report before wiring funds for payment of the PSP.

All data is stored on SQL servers or hardware RAID (redundant array of independent drives) at the secure AT&T collocated site, and a full year of data is stored live on the system. Per discussion with key personnel, backup data will be taken out and restored to

an active, but not live, server to test control totals and ensure that the call records remain unchanged.

Tests Performed

1) We interviewed personnel responsible for various aspects of the reconciliation process, including key personnel at TeleCents to gain an understanding of the process and the internal control environment. Appears reasonable.

2) We statistically sampled calls from the original CDR for those dates to the payphone reports generated for PSP payment, noting that the entire sample of payphone flagged calls tested appears on the TeleCents compensation report.

Key Control Objective #10

Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect integrity of the records processed or the results ofprocessing such records.

Policy or Procedure

TeleCents has established policies and procedures regarding system changes, including specific policies regarding:

- System change approval
- Identification of responsible persons
- System security controls
- Program security controls
- Capabilities to test changes and compare to known results

Tests Performed

We interviewed key personnel and reviewed the logic associated with generating payphone flags, as well as authentication of calls and completed calls. We reviewed documentation with regard to the above and noted that it was consistent with stated policy. Appears reasonable.

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SECTION 64.1320(e) STATEMENT

TeleCents Communications, Inc. Payphone Service Providers (PSPs) Dispute Resolution Process

1. Introduction

TeleCents Communications will pay compensation directly to the PSP, or the representing agent of the PSP, for completed calls on a quarterly basis. For questions or concerns related to payphone compensation, please address to:

TeleCents Communications, Inc.
Att: John Allen
8615 Richardson Rd. Suite 200
Walled Lake, MI. 48390
E-mail: jallen@telecents.com
PH: 248.366.3330

2. How to file disputes

If you disagree with any of the payphone compensation quarterly calculations provided by TeleCents, you must provide the following information in your dispute.

a. PSP payphone number (ANI) being disputed

b. Date, time, toil free number and destination number called

c. Claim quarter of dispute

d. Any additional information that may help to resolve the dispute.

Please provide your dispute information in Excel format/file. Along with the dispute information, please provide a contact name, number, and email address to where the response for the dispute should be addressed.

3. Dispute response time

TeleCents will use all reasonable efforts to respond to your disputes as quickly as possible. However, please note that response time will vary based on the quantity of payphone number(s) being disputed.